



ASX ANNOUNCEMENT

31 July 2017

LODESTAR
MINERALS

COMPANY SNAPSHOT

LODESTAR MINERALS LIMITED

ABN: 32 127 026 528

CONTACT DETAILS

Bill Clayton, Managing Director
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CAPITAL STRUCTURE

Shares on Issue:

453,318,328 (LSR)

Options on Issue:

45,333,702 (listed)

41,050,127 (unlisted)

ASX: LSR

PROJECTS

Peak Hill – Doolgunna:

Camel Hills – gold

Neds Creek – gold

Marymia – gold

West Pinyrinny – gold



HIGHLIGHTS

- Highly successful aircore drill program completed at Ned's Creek. 55 of 88 holes returned results of greater than 0.1g/t Au from multiple prospects¹.
- Significant advances in identifying bedrock gold targets at Contessa, Brumby and Gidgee Flat for follow up aircore and co-funded EIS diamond drilling.
 - Contessa bedrock target on diorite contact;
 - LNR906 returned **4m at 4.35g/t Au from 84m**, ending in mineralisation.
 - At Brumby drilling west of the granite contact returned:
 - **16m at 2.1g/t Au from surface**, including high grade intersection of **4m at 6.4g/t Au from 12m** in LNR912, above a bedrock gold target intersected in previous drilling.
 - Gidgee Flat supergene mineralisation extended to more than 300m with bedrock mineralisation intersected:
 - **16m at 1.4g/t Au from 72m (including 4m at 2.8g/t Au) in LNR875** and open at depth and to the north.
- At Central Park drilling has identified mineralisation over 200m long and up to 200m wide with widespread higher grade results including:
 - **4m at 8.69g/t Au from 28m and 4m at 1.61g/t Au from 44m**
 - **4m at 3.35g/t Au from 36m**
 - **4m at 1.43g/t Au from 32m**
- First-pass rock sampling on Yowereena farm-in project confirms anomalous gold outside historically tested areas.
- Follow up aircore/RC program and two co-funded EIS diamond drill holes to be drilled in the September quarter.

NED'S CREEK PROJECT (LSR – 100%)

An aircore drill program completed in May-June targeted several areas of gold mineralisation along the southern and western margin of the Contessa granite that were incompletely tested by earlier wide-spaced drilling. This program included target specific drilling at Brumby and Contessa (see Figure 1) in preparation for planned co-funded EIS diamond drilling of bedrock gold targets. A total of 88 holes were drilled for 4833m.

¹ See Lodestar's ASX announcement dated 10 July 2017.

The recent drilling has significantly enhanced multiple drill targets; with 55 of the 88 holes reporting gold intersections of greater than 0.1g/t Au (see Figure 2). The results confirm extensive gold mineralisation and multiple targets for follow up drilling, highlighting the potential of the region to host a major gold discovery.

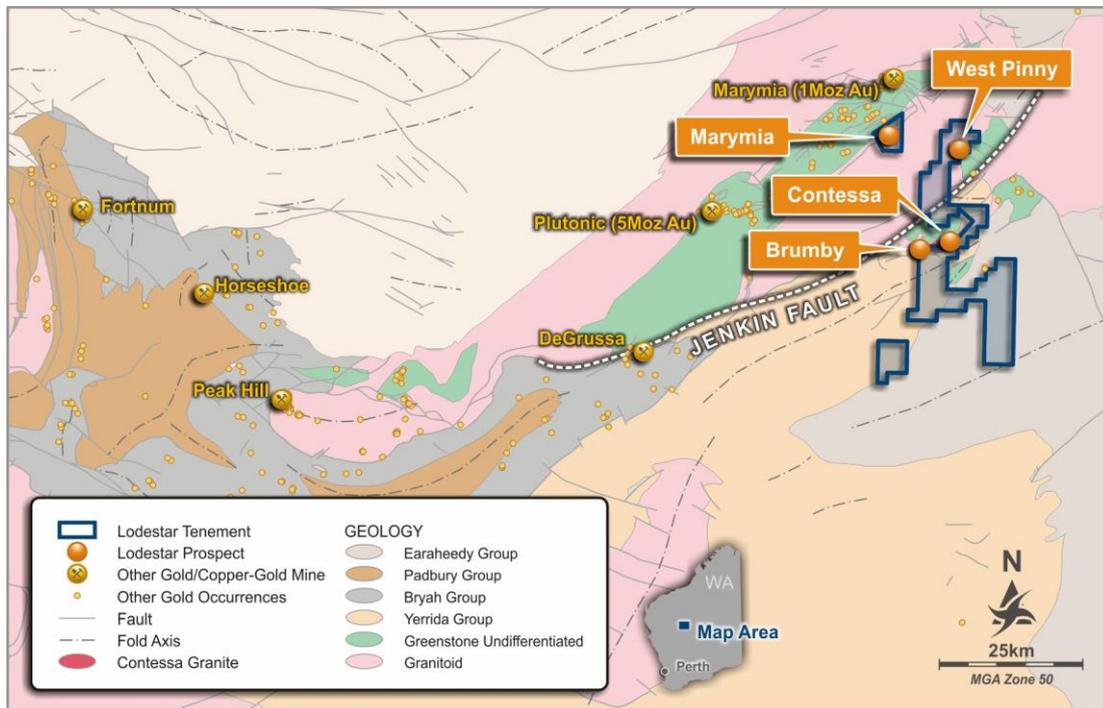


Figure 1 Ned's Creek project showing Brumby - Contessa gold targets within orogenic zone adjacent to thrust-faulted margin of the Marymia Inlier.

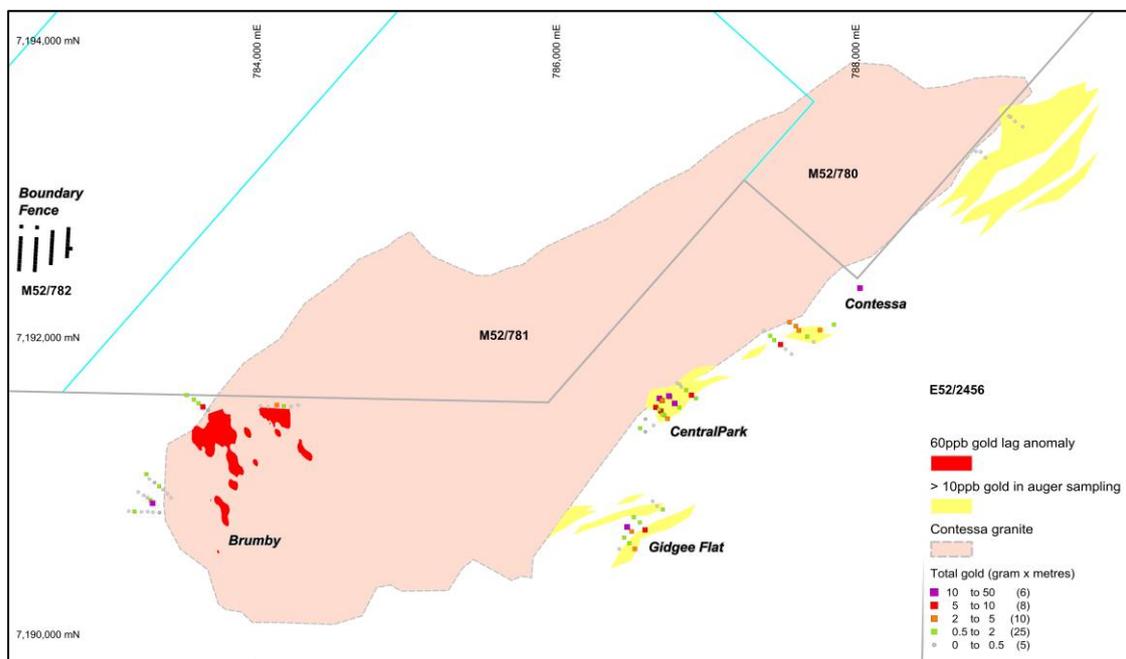


Figure 2 Drill hole location plan showing gold prospects, surface gold anomalies and colour coding total gold in each drill hole (grams per tonne of intersection x thickness of intersection).

CONTESSA

A single aircore hole, LNR906, tested the bedrock target intersected in LNR806 (3m at 1.0g/t Au from 96m, see Lodestar’s ASX release dated 1 December 2016) in preparation for a diamond drill hole to be completed under the co-funded EIS drilling program.

LNR906 was drilled at 90 degrees to LNR806, towards grid south (130 degrees) to confirm the target and act as a pilot hole for planned diamond drilling (see Figure 3).

LNR906 intersected 4m at 4.35g/t Au from 84m to end of hole and terminated due to water inflow. Both LNR806 and LNR906 were drilled to the limit of the aircore rig’s capacity and the target, a siliceous unit containing oxidised sulphides, remains incompletely tested.

The Contessa bedrock target is a “blind target”, having no geological expression at surface. It is located near the contact of diorite and strongly sheared felsic rocks, north of most of the previous drilling which is collared above the diorite intrusion where supergene mineralisation is best developed. The intersection in LNR906 and extensive gold mineralisation through the transition zone in aircore drilling near the contact, as highlighted by the 3D modelling completed earlier in 2017 (see Lodestar’s ASX announcement dated 22 March 2017), signify an important target for planned diamond drilling to test the target in fresh rock and obtain structural information to allow future drilling to be planned more effectively.

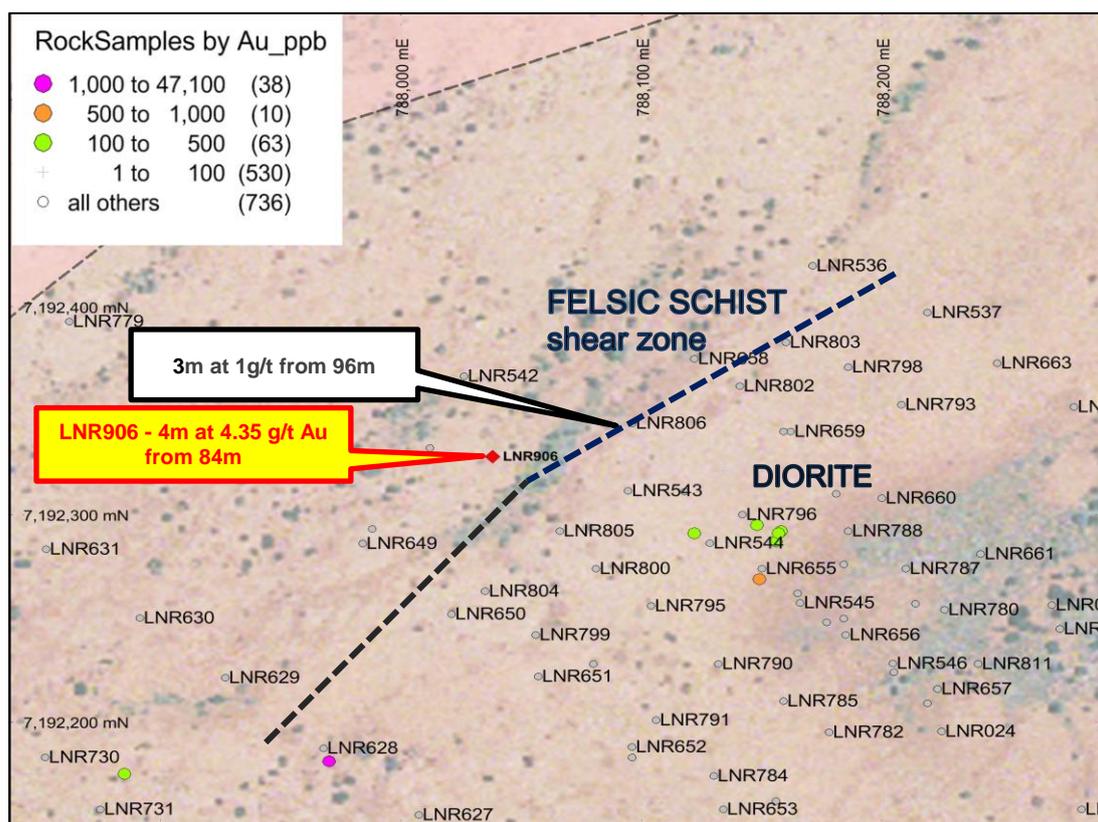


Figure 3 Contessa aircore end of hole drill intersections to be targeted by co-funded EIS diamond drill hole.

BRUMBY

In-fill drilling on a 25m hole spacing tested an intersection of 4m at 1g/t Au from 20m and 3m at 1.6g/t Au from 40m to end of hole in LNR824, west of the Brumby granite contact (see Lodestar’s ASX release dated 1 December 2016).

LNR912 was drilled beneath LNR824 and intersected a wide zone of gold mineralisation from surface to 30m, with a high grade zone reporting 4m at 6.4g/t Au from 12m, confirming the presence of mineralisation initially reported in LNR824 (see Figure 4). The dimensions and structural setting of the mineralised zone are unknown. It is located adjacent to a shear zone but whether it is shear-related or a mineralised intrusive plug in an area where several intrusive phases may be present is yet to be determined. This target is also “blind”, occurring in an area of extensive, shallow alluvial cover and is currently only tested to a vertical depth of 40m. An EIS co-funded diamond drillhole is scheduled to be drilled in the current quarter to determine local structural controls and host rock type.

Elsewhere, reconnaissance drilling on the northwestern contact and within the Brumby granite reported widespread, low level mineralisation of >0.1g/t Au with a best intersection of 8m at 1.1g/t Au from 24m in LNR886, adjacent to the granite contact. The results provide further confirmation of the potential for intrusion-related mineralisation to occur along the largely untested western granite margin.

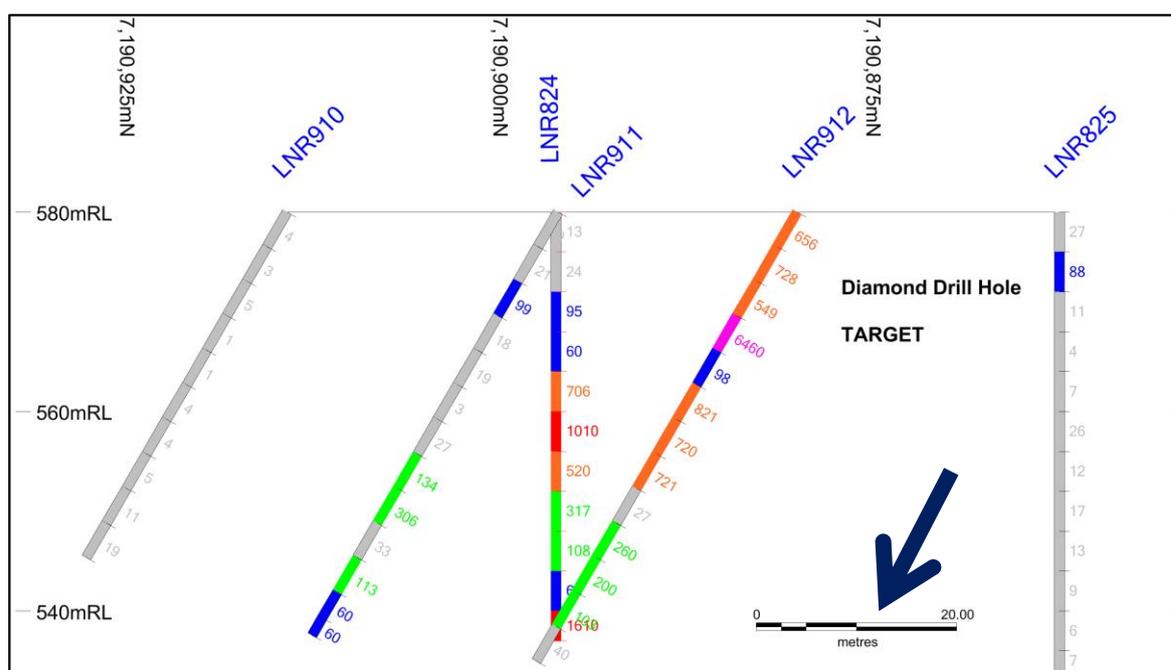


Figure 4 Drill cross section west of granite contact (looking towards 40 degrees) showing results for LNR912 (gold in ppb) and planned target for co-funded EIS diamond drill hole.

GIDGEE FLAT

Follow up drilling targeted significant saprolite gold mineralisation in LNR747 (10m at 1.89g/t Au from 40m) and lower magnitude anomalies in adjacent holes (see Lodestar’s ASX announcement dated 24 November 2014). Drilling has now been completed on 80m by 60m centres (see Figure 5) and has identified the first bed rock targets. Significant results include;

- LNR875, on the northern end of a traverse, intersected 8m at 1.98g/t Au from 28m and 16m at 1.4g/t Au from 72m. The hole ended in mineralisation at 88m.
- LNR876, located at the southern end of the adjacent traverse, intersected low level gold mineralisation at the end of hole, which was terminated after intersecting vein quartz.

Rock samples taken from goethitic zones in a fractures oriented at 130 degrees (parallel to drilling) 80m south west of LNR875, reported 2.9 and 3.9g/t Au. These surface samples provide evidence of a brittle structural control on gold mineralisation at Gidgee Flat, parallel to drilling, and underline the importance of orienting drilling correctly when testing targets based on limited surface information. Close-spaced follow-up drilling is now required to test the area around LNR875.

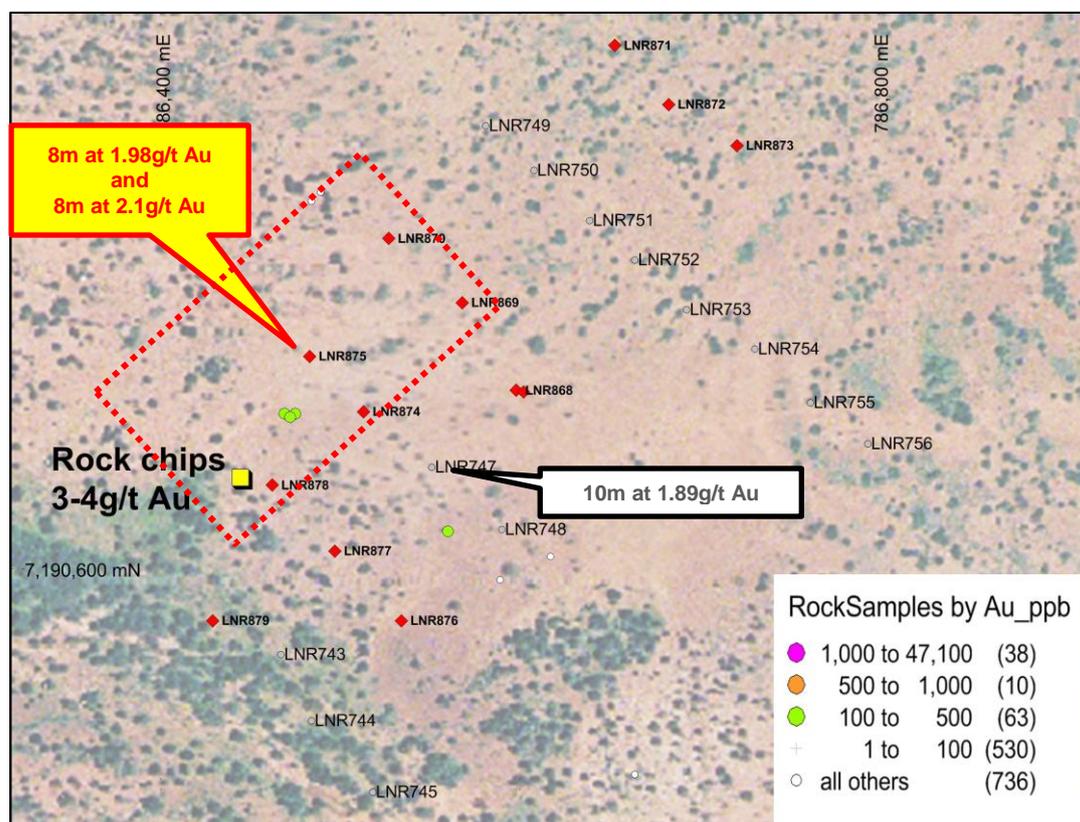


Figure 5 Gidgee Flat showing drill intersections in LNR875, anomalous rock samples and area of bedrock target requiring in-fill drilling (dashed red line).

CENTRAL PARK

Central Park is located adjacent to the southern granite contact in an area of no outcrop. Two lines of reconnaissance drilling completed in 2011 and 2014 reported multi-gram supergene gold mineralisation including 5m at 8.9g/t Au from 30m (LNR758) (see Lodestar’s ASX announcement dated 24 November 2014).

Recent drilling intersected thick intercepts of low-level gold mineralisation over an area of 200m by 200m (see Figure 6). Best intercepts associated with vein quartz in drill hole logging include:

- 4m at 3.35g/t Au from 36m in LNR858
- 4m at 1.37g/t Au from 72m in LNR853
- 4m at 1.43g/t Au from 32m in LNR856
- 4m at 1.45g/t Au from 32m in LNR861

The Yowereena tenements cover 7.5 kilometres of strike over the Jenkin Fault corridor, a major structural divide and deformation zone along the southern margin of the Marymia Inlier. A package of highly prospective, sheared mafic-felsic schists interlayered with metasediments is wedged between the Marymia Inlier and the Contessa granite. The tenements include the 7 kilometre long northern margin of the Contessa granite, where Lodestar believes there is high potential for the discovery of the intrusion-related style of mineralisation being targeted at Brumby and Contessa.

Additional rock sampling across areas untested by historic exploration has returned gold anomalous samples and has confirmed that granite within the Yowereena tenements shares characteristics with the Contessa composite intrusion (elevated Bi, Mo, and Te). The geological interpretation of historic gold exploration has assumed granites are part of the Marymia Inlier (probably older granite and gneisses) and unprospective for gold.

Like the Contessa granite, the Yowereena granites are elongated parallel to the regional foliation and probably intruded at or shortly after peak metamorphism within the tectonic zone along the northern margin of the Yilgarn Craton and are thought to post-date the Marymia Inlier. Some quartz veins within the Yowereena granite contain fine disseminated pyrite and molybdenite and appear identical to the original veins found within the Contessa granite bismuth – molybdenum anomaly, strongly suggesting that they are part of the same intrusive-hydrothermal event and therefore similarly prospective for gold.

Initial confirmation drilling of the Boundary Fence gold prospect and other targets is planned for the coming quarter.

CORPORATE

On June 22, shareholders overwhelmingly approved the Resolution relating to the issue of a \$1.2 million Convertible Note to Chairman Ross Taylor. The unsecured Convertible Note has a maturity date of 22 June 2019 and accrues an interest rate of 10% per annum. The Convertible Note is convertible, at the election of Mr Taylor, into Lodestar shares at a price of \$0.01 per share plus one free attaching Option (exercisable at \$0.03 per Share on or before 31 October 2019) for every five (5) Shares issued on conversion. The Convertible Notes are redeemable by the Company at any time prior to maturity or receipt of a conversion notice from Mr Taylor.

The additional funding leaves Lodestar in a strong position to complete the remainder of its active 2017 work program.

Bill Clayton
Managing Director

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Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled by Bill Clayton, Managing Director, who is a Member of the Australasian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Clayton consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this announcement that relates to previously released exploration results was disclosed under JORC 2012 in the ASX announcements dated 24th November 2014 “Contessa Drilling Update”, 1st December 2016 “Contessa – Brumby Aircore Drilling Results”, 14th March 2017 “Farm-in Agreement Enhances Gold Potential at Neds Creek”, 22nd March 2017 “Aircore and EIS-Funded Diamond Drilling at Contessa – Brumby and 10th July 2017 “Widespread High-grade Gold Results Advance Neds Creek Targets”. These announcements are available to view on the Lodestar website. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

APPENDIX 1: Schedule of Exploration Tenements as at 30 June 2017

Tenement Description	Tenement Numbers	Status	Percentage Interest
Ned's Creek			
Marymia	E52/2440	Granted	100% - Audacious Resources
Yowerrena Hill	E52/2456	Granted	100% - Audacious Resources
Little Well	E52/2468	Granted	100% - Audacious Resources
Yowerreena Hill	E52/2493	Granted	100% - Audacious Resources
Yowereena Hill	E52/2734	Granted	100% - Lodestar Minerals
Yowereena Hill	E52/3473	Application	
Yowereena Hill	E52/3476	Application	
Imbin – Troy Creek			
Ingebong Hills	E69/3483	Application	
Camel Hill / Mt Erong			
Meekatharra	E09/2099	Granted	100% - Lodestar Minerals
Meekatharra	E09/2100	Granted	100% - Lodestar Minerals
Billycan Bore	E52/3064	Granted	100% - Lodestar Minerals
Meekatharra	E09/2138	Granted	100% - Lodestar Minerals
Meekatharra	E09/2139	Granted	100% - Lodestar Minerals
Meekatharra	E09/2215	Application	

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

LODESTAR MINERALS LIMITED

ABN

32 127 026 528

Quarter ended ("current quarter")

30 JUNE 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(30)	(603)
(b) development	-	-
(c) production	-	-
(d) staff costs	(81)	(296)
(e) administration and corporate costs	(34)	(211)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(145)	(1,111)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4)	(34)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(4)	(34)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	644
3.2 Proceeds from issue of convertible notes	370	370
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(10)	(135)
3.5 Proceeds from borrowings	-	250
3.6 Repayment of borrowings	(150)	(250)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	210	879

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	48	375
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(145)	(1,111)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(4)	(34)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	210	879
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	109	109

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	109	48
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	109	48

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

70

6.1 - Includes salaries paid to directors, as well as superannuation paid on behalf of directors. A percentage of the Managing Director's salary has been expensed to exploration activities. Also, includes corporate and accounting services paid to a company associated with one of the directors.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	1,200	370
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

David McArthur, a director of the company, has provided the company with a draw down loan facility of up to \$200,000 for a period of 12 months or until a capital raising by the company. The loan is unsecured with interest payable at 10% per annum, quarterly in arrears. This facility was cancelled following approval by shareholders for a convertible note issued to Ross Taylor.

Ross Taylor has provided a convertible loan draw down facility for \$1,200,000. On 22 June 2017, the loan reverted to a convertible note following approval by shareholders at a general meeting. The note will convert to up to 120,000,000 shares at 0.1 cents per share, maturing within 2 years and accruing interest at 10% per annum.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	154
9.2 Development	-
9.3 Production	-
9.4 Staff costs	53
9.5 Administration and corporate costs	85
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows ⁽¹⁾	292

⁽¹⁾ The Company has signed an unsecured convertible loan agreement with its Chairman to advance up to \$1,200,000 with interest accruing at 10% per annum, pro rata.

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

Director and Company Secretary

Date: 31 July 2017

Print name: David M McArthur

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.